

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Michael Kubayanda, Vice Chairman;  
Mark Acton;  
Ann C. Fisher; and  
Ashley E. Poling

Loyalty Program

Docket No. CP2020-166

ORDER APPROVING PRICE ADJUSTMENTS FOR COMPETITIVE PRODUCTS  
TO IMPLEMENT A LOYALTY PROGRAM

(Issued June 24, 2020)

I. INTRODUCTION

On June 5, 2020, the Postal Service filed notice with the Commission concerning proposed changes in rates of general applicability and associated classification changes for Priority Mail Express and Priority Mail to implement a new Loyalty Program.<sup>1</sup> The changes are scheduled to take effect on August 1, 2020. Notice at 1. The Commission approves the proposed price changes and updates the Mail Classification Schedule (MCS) to reflect the new prices. A draft of the applicable MCS changes is attached to this Order.

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<sup>1</sup> United States Postal Service Notice of Changes in Rates of General Applicability for Loyalty Program, June 5, 2020 (Notice).

## II. BACKGROUND

### A. The Postal Service's Notice

The Postal Service represents that, as required by 39 C.F.R. § 3035.102(b), the Notice includes an explanation and justification for the proposed changes, the effective date, and a schedule showing new prices and related classification changes.<sup>2</sup>

Attached to the Notice is Governors' Decision No. 20-2, which states the new prices are in accordance with 39 U.S.C. §§ 3632 and 3633 and 39 C.F.R. § 3035.102.<sup>3</sup> The attachment to the Governors' Decision sets forth the price changes and includes draft MCS language for Priority Mail Express and Priority Mail related to the Loyalty Program. Governors' Decision No. 20-2 at 1.

The Postal Service includes a non-public annex showing FY 2020 projected volumes, revenues, attributable costs, contribution, and cost coverage for Priority Mail Express and Priority Mail. Notice at 1. The Postal Service states that it is filing supporting data for the affected products in accordance with Order No. 1062. *Id.* The Notice includes an application for non-public treatment of the attributable costs, contribution, and cost coverage data in the unredacted version of the annex, as well as the supporting materials for the data. *Id.* at 1-2. The Postal Service filed a redacted, public version of the annex with the Notice.<sup>4</sup>

The proposed prices and MCS changes implement a new Loyalty Program that applies to Postal Service business customers using Click-N-Ship for Priority Mail

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<sup>2</sup> See *id.* at 1. In the Notice, the Postal Service cites to 39 C.F.R. § 3015.2(b). *Id.* The rules appearing in title 39 of the Code of Federal Regulations were re-organized effective April 20, 2020. See Docket No. RM2019-13, Order Reorganizing Commission Regulations and Amending Rules of Practice, January 16, 2020 (Order No. 5407); Docket No. RM2019-13, Notice of Errata, April 23, 2020. Prior to this reorganization, rules on rates for Competitive products appeared in 39 C.F.R. part 3015. This Order cites to the re-organized rules.

<sup>3</sup> Notice, Decision of the Governors of the United States Postal Service on Changes in Rates of General Applicability for Competitive Products (Governors' Decision No. 20-2), at 1 (Governors' Decision No. 20-2).

<sup>4</sup> Notice at 2; see Excel file "LoyaltyPgm Annex.Redacted.xls."

Express and Priority Mail shipping at Retail rates. Notice at 2. The Loyalty Program “is designed to encourage small and micro businesses to use Click-N-Ship and increase their shipping spend over the coming year.” Governors’ Decision No. 20-2 at 1.

The Loyalty Program will begin on August 1, 2020.<sup>5</sup> On that date, all Postal Service business customers using Click-N-Ship for Priority Mail Express and Priority Mail shipping at Retail rates will be automatically enrolled in the Basic tier of the Loyalty Program. Notice at 2. On January 1, 2021, the Loyalty Program will expand to a three-tiered program based on customers’ combined shipping spending at Priority Mail Express and Priority Mail Retail rates in the previous calendar year. *Id.* The three tiers are:

- Basic (no minimum spending): Earn \$40 credit for every \$500 spent
- Silver (at least \$10,000 spent): Earn \$50 credit for every \$500 spent
- Gold (at least \$20,000 spent): Qualify for Commercial Base pricing

*Id.*

The Loyalty Program establishes incentives for both new and existing Postal Service Click-N-Ship customers. Governors’ Decision No. 20-2 at 1. Any new Click-N-Ship business customers enrolled during the first year of the Loyalty Program will receive a one-time \$40 “Welcome Bonus” credit upon shipping at least \$500 at Priority Mail Express and Priority Mail Retail rates.<sup>6</sup> In a Chairman’s Information Request (CHIR) response, the Postal Service states that the first year of the program will run from August 1, 2020 through July 30, 2021. Response to CHIR No. 1, question 2.a. The Postal Service clarifies that new Click-N-Ship business customers must reach the \$500 total spend level during the first year of the program to receive the \$40 “Welcome Bonus.” *Id.* question 2.b.

To help customers whose volume declined because of the ongoing COVID-19 pandemic, all Loyalty Program participants will be eligible to receive an additional

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<sup>5</sup> USPS Responses to Chairman’s Information Request No. 1, with Portions Filed Under Seal, June 18, 2020, question 2.a. (Response to CHIR No. 1).

<sup>6</sup> Notice at 2; Response to CHIR No. 1, question 2.b.

one-time \$20 credit for shipping during the first two months of the program once participants ship at least \$500 combined at Priority Mail Express and Priority Mail Retail rates. Notice at 2. In a CHIR response, the Postal Service states, “Participants that use Click-N-Ship to make any purchase at Priority Mail Express Retail or Priority Mail Retail rates during August or September 2020 are entitled to receive the \$20 credit once they reach the \$500 total spend level.” Response to CHIR No. 1, question 1.b. It clarifies that these participants do not need to reach the \$500 total spend level during August or September 2020 to receive this credit. *Id.*

### B. Procedural History

On June 8, 2020, the Commission provided notice of the Postal Service’s filing, established the instant docket for consideration of the filing’s consistency with applicable statutory requirements and Commission regulations, appointed a Public Representative, and provided the public with an opportunity to comment.<sup>7</sup>

On June 11, 2020, Chairman’s Information Request No. 1 was issued, seeking responses to requests relating to the Loyalty Program and the supporting materials filed under seal.<sup>8</sup> The Postal Service responded to CHIR No. 1 on June 18, 2020. Response to CHIR No. 1.

### III. COMMENTS

The Public Representative filed comments on June 19, 2020.<sup>9</sup> He states that implementing the Loyalty Program is a change in rates on an existing Competitive product and does not constitute a new or transferred product. PR Comments at 3.

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<sup>7</sup> Notice and Order Concerning Changes in Rates of General Applicability for Priority Mail Express and Priority Mail to Implement a Loyalty Program, June 8, 2020 (Order No. 5535).

<sup>8</sup> Chairman’s Information Request No. 1 and Notice of Filing Under Seal, June 11, 2020 (CHIR No. 1).

<sup>9</sup> Public Representative Comments on Postal Service Notice of Changes in Rates of General Applicability for Loyalty Program, June 19, 2020 (PR Comments).

Thus, he concludes that the Loyalty Program is properly assigned to the Competitive product list. *Id.* He also notes that the Loyalty Program meets the requirements of 39 U.S.C. § 3633(a) because “the prices under the Loyalty Program are projected to generate sufficient revenues so as not to adversely affect the overall cost coverage from Priority Mail Express and Priority Mail as a whole during the initial year of the Program ... .” *Id.*

The Public Representative states that the Postal Service should file actual revenue and cost data for the Loyalty Program in a future Annual Compliance Report (ACR). *Id.* He recommends that the Commission request such data because they will allow the Commission to review the Loyalty Program’s financial results for compliance with section 3633(a). *Id.* He notes he would also support a data reporting requirement at the mid-point of the first year of the Loyalty Program if the Commission so desired. *Id.* at 3-4.

#### IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the CHIR response, the materials filed under seal, and the comments filed. Proposed price adjustments for Competitive products are reviewed pursuant to 39 U.S.C. § 3633(a) and Commission regulations under 39 C.F.R. part 3035. In brief, these statutory and regulatory provisions require each Competitive product to cover its attributable costs (39 U.S.C. § 3633(a)(2)), prohibit the subsidization of Competitive products by Market Dominant products (39 U.S.C. § 3633(a)(1)), and require that Competitive products collectively cover what the Commission determines to be an appropriate contribution to the recovery of the Postal Service’s total institutional costs (39 U.S.C. § 3633(a)(3)).

The Commission finds that the new prices proposed under the Loyalty Program are projected to generate sufficient revenue to cover each product’s attributable cost. This finding supports the conclusion that the new prices should satisfy section 3633(a)(2). In addition, in accordance with section 3633(a)(3), the new prices should help ensure that Competitive products as a whole contribute the appropriate share to

institutional costs.<sup>10</sup> Together, these findings support the conclusion that the proposed changes should not cause Competitive products to be subsidized by Market Dominant products, as prohibited by 39 U.S.C. § 3633(a)(1). The Commission, therefore, concludes that the new Competitive prices and proposed MCS language incorporating the new prices comply with 39 U.S.C. § 3633(a).

*Other considerations.* The Public Representative recommends that the Commission request that the Postal Service file actual revenue and cost data for the Loyalty Program in a future ACR. PR Comments at 3. The Commission directs the Postal Service to file this information in future ACRs. The Commission declines to adopt the Public Representative's suggestion of a data reporting requirement at the mid-point of the first year of the Loyalty Program because the Commission will receive partial year data in connection with the FY 2020 ACR. *See id.* at 3-4.

In conclusion, as set forth in this Order, the Postal Service may implement the price changes as proposed under the Loyalty Program.

## V. ORDERING PARAGRAPHS

*It is ordered:*

1. The proposed prices may take effect as scheduled.
2. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective August 1, 2020.

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<sup>10</sup> See Excel file "LoyaltyPgm Annex.Redacted.xls," tab "With loyalty program;" Docket No. ACR2019, Annual Compliance Determination Report Fiscal Year 2019, March 25, 2020, at 89.

3. The Postal Service must file actual revenue and cost data for the Loyalty Program in future Annual Compliance Reports.

By the Commission.

Erica A. Barker  
Secretary

## CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

**Part B—Competitive Products**

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**2105****Priority Mail Express**

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## 2105.4 Price Categories

The following price categories are available for the product specified in this section:

- Retail  
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  - Loyalty Program – Applies to qualifying business customers who use Click-N-Ship
- Commercial Base – Prices are available to customers who use specifically authorized postage payment methods.<sup>1</sup>

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## 2105.6 Prices

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Loyalty Program

Upon the initiation of the Loyalty Program, all USPS business customers who use Click-N-Ship will be automatically enrolled in the Basic tier of the Loyalty Program, thereby earning a \$40 credit for every \$500 combined spent at Priority Mail Express Retail and Priority Mail Retail rates.

Beginning on January 1, 2021, and on every January 1 thereafter, all USPS business customers who use Click-N-Ship will be enrolled in one of

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<sup>1</sup> Under the Loyalty Program, Gold Tier customers are eligible for Commercial Base prices.



the following three tiers of the Loyalty Program, based on their combined shipping spend at Priority Mail Express Retail and Priority Mail Retail rates in the previous calendar year, as follows:

- Basic (no minimum spend):  
Earn \$40 credit for every \$500 spent
- Silver (at least \$10,000 spend):  
Earn \$50 credit for every \$500 spent
- Gold (at least \$20,000 spend):  
Qualify for Commercial Base Pricing

In the first year of the Loyalty Program, any new USPS business customer who uses Click-N-Ship will receive a one-time \$40 “Welcome Bonus” credit upon shipping at least \$500 combined at Priority Mail Express Retail and Priority Mail Retail rates.

All participants in the Loyalty Program will be eligible to receive an additional one-time \$20 credit for shipping during the first two months of the program, which will be applied once participants ship at least \$500 combined at Priority Mail Express Retail and Priority Mail Retail rates.

All credits must be redeemed within one year from the date of issuance.

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**2110**

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**Priority Mail**

## 2110.4

## Price Categories

The following price categories are available for the product specified in this section:

- Retail  
\*\*\*\*\*
  - Loyalty Program – Applies to qualifying business customers who use Click-N-Ship
- Commercial Base – Available to mailers who use specifically authorized postage payment methods.<sup>2</sup>

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2110.6 Prices

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Loyalty Program

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Beginning on January 1, 2021, and on every January 1 thereafter, all USPS business customers who use Click-N-Ship will be enrolled in one of the following three tiers of the Loyalty Program, based on their combined shipping spend at Priority Mail Express Retail and Priority Mail Retail rates in the previous calendar year, as follows:

- Basic (no minimum spend):  
Earn \$40 credit for every \$500 spent
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